

Message Text

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ACTION EUR-12

INFO OCT-01 EA-07 ISO-00 AID-05 CIAE-00 COME-00 EB-07
FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02
OPIC-03 SP-02 LAB-04 EPG-02 SIL-01 OMB-01 NSC-05
SS-15 STR-04 CEA-01 EURE-00 DODE-00 /088 W
-----071830Z 100958 /45

P R 071736Z JUN 77
FM AMEMBASSY BONN
TO SECSTATE WASHDC PRIORITY 8862
INFO AMEMBASSY PARIS PRIORITY
AMEMBASSY BRUSSELS
AMEMBASSY LONDON
AMEMBASSY ROME
AMEMBASSY TOKYO
USMISSION USBERLIN
USMISSION NATO
USNMR SHAPE
AMCONSUL FRANKFURT
AMCONSUL MUNICH
AMCONSUL BREMEN
AMCONSUL DUSSELDORF
AMCONSUL HAMBURG
AMCONSUL STUTTGART
CINC USAFE RAMSTEIN
CINC USAREUR HEIDELBERG
CINC EUR VAIHINGEN

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USEEC, USOECD ALSO FOR EMBASSY

DEPARTMENT PASS TREASURY, FRB AND CEA

E.O. 11652: N/A
TAGS: ECON;EFIN, GW
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SUBJECT: LATEST ECONOMIC INDICATORS DISAPPOINTING

1. SUMMARY: INDUSTRIAL PRODUCTION AND NEW ORDERS
DECLINED IN APRIL FROM MARCH LEVELS. PACE OF GROWTH
SLOWS FROM LAST YEAR. SEASONALLY ADJUSTED UNEMPLOYMENT
ROSE IN MAY FOR THE SECOND STRAIGHT MONTH; IT IS STILL
OVER A MILLION AND MAY AVERAGE THAT FOR THE YEAR GIVEN

CURRENT TRENDS. END SUMMARY.

2. INDUSTRIAL PRODUCTION IN APRIL DROPPED ONE POINT TO 115 FROM THE UPWARD REVISED (SEE BONN 9121) MARCH LEVEL. COMPARING THE TWO MONTHS OF MARCH-APRIL WITH THE JANUARY-FEBRUARY PERIOD, THE SEASONALLY ADJUSTED ANNUAL RATE (S.A.A.R.) OF GROWTH IS 2.6 PERCENT, RATHER A WEAK PERFORMANCE. COMPARING THE FIRST FOUR MONTHS OF THIS YEAR WITH THE LAST FOUR MONTHS OF LAST YEAR YIELDS A 5.3 PERCENT (S.A.A.R.) GROWTH. GIVEN THE CHANGED METHODOLOGY, WHICH WE HAVE DESCRIBED IN EARLIER REPORTS, THERE IS, HOWEVER, SOME QUESTION AS TO THE COMPARABILITY OF THIS YEAR'S INDEX NUMBERS WITH THOSE OF LAST YEAR. INDUSTRIAL PRODUCTION IN 1976 AS A WHOLE WAS 6.9 PERCENT HIGHER THAN IN 1975. THE PACE OF GROWTH CAN THEREFORE BE SEEN TO HAVE SLOWED THIS YEAR TO ANYWHERE BETWEEN 1/2 AND 3/4 OF WHAT IT WAS LAST YEAR.

3. THE VOLUME OF TOTAL NEW ORDERS IN APRIL AT 111 DROPPED TWO POINTS BELOW THE UPWARD REVISED MARCH LEVEL. SIGNIFICANT IS THE FACT THAT INVESTMENT OR CAPITAL GOODS DEMAND WEAKENED WHILE CONSUMER GOODS STRENGTHENED. COMPARISON OF THE MARCH-APRIL PERIOD WITH THE PRECEDING TWO MONTHS GIVES A HEALTHY SEASONALLY ADJUSTED ANNUAL RATE OF GROWTH OF 28 PERCENT. COMPARING THE FIRST FOUR MONTHS OF THIS YEAR WITH THE LAST FOUR OF LAST YEAR, HOWEVER, YIELDS A DECLINE OF 12.5 PERCENT. AS NOTED EARLIER, THOUGH, THERE IS THE PROBLEM OF COMPARABILITY OF LAST YEAR'S DATA WITH THAT OF THIS LIMITED OFFICIAL USE

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YEAR.

4. UNDERLYING THE OVERALL WEAKENED APRIL PICTURE WAS THE SOFTENING OF DOMESTIC DEMAND AS MEASURED BY THE VOLUME OF NEW ORDERS RECEIVED FROM THE HOME MARKET. THIS INDEX NUMBER DROPPED FROM 102 IN MARCH TO 100 IN APRIL. ALSO CONTRIBUTING TO THE OVERALL DROP IN THE TOTAL NEW ORDERS WAS A DECLINE IN NEW ORDERS RECEIVED FROM ABROAD WHICH FELL FIVE POINTS IN APRIL TO A LEVEL OF 144.

5. A PARTICULARLY DISTURBING ECONOMIC INDICATOR IS FOUND IN THE SEASONALLY ADJUSTED UNEMPLOYMENT INCREASE IN MAY OF 13,000 FOLLOWING ON A 12,000 INCREASE IN APRIL. THE MAY LEVEL OF 1,022,000 IS THE HIGHEST SINCE OCTOBER LAST YEAR. THE AVERAGE FOR THE FIRST FIVE MONTHS OF THIS YEAR FOR THE NUMBER OF UNEMPLOYED IN SEASONALLY ADJUSTED TERMS IS 1,009,000. GIVEN THE RECENT TREND TOWARDS INCREASING SEASONALLY ADJUSTED

UNEMPLOYMENT, IT WOULD SEEM THAT THE ANNUAL AVERAGE FOR 1977 COULD VERY WELL BE IN THE EXCESS OF THE MAGICAL 1,000,000 FIGURE AND LONG WAY FROM THE GOVERNMENT'S EARLIER GOAL (STATED, OF COURSE, IN NON-ADJUSTED TERMS) OF 850,000.

6. THE NON-SEASONALLY ADJUSTED UNEMPLOYED FIGURE OF 946.5 THOUSAND IN MAY IS ONLY marginally BELOW THE

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954 THOUSAND COMPARABLE FIGURE IN MAY OF LAST YEAR.
THE AVERAGE UNEMPLOYMENT IN 1976 WAS 1,060,000, WHILE
IT WAS 1,074,000 IN THE RECESSION YEAR OF 1975.

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7. PERTINENT TABLES FOLLOW.

INDUSTRIAL PRODUCTION AND NEW ORDERS VOLUME
SEASONALLY ADJUSTED INDEX NUMBERS
(1970 EQUALS 100)

	INDUSTRIAL	TOTAL	DOMESTIC	FOREIGN
1977	PRODUCTION	NEW ORDERS	NEW ORDERS	NEW ORDERS
JAN	116	107	100	131
FEB	114	107	99	136
MAR 1)	116	113	102	149
APR	115	111	100	144

1) REVISED

SEASONALLY ADJUSTED UNEMPLOYMENT
(THOUSANDS)

1977

JAN 1017
FEB 1000
MAR 998
APR 1009
MAY 1022

CASH

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Message Attributes

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SAS ID: 2254409
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TAGS: ECON, EFIN, GE
To: STATE
Type: TE
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